

Component Unit Financial Statements
And Report of Independent Auditors

Airport Authority for Airport District #1
Of Calcasieu Parish
Lake Charles, Louisiana

December 31, 2011 and 2010

TABLE OF CONTENTS

	Page
Independent Auditors' Report	3 - 4
Management's Discussion and Analysis	5 - 9
General Purpose Financial Statements	
Statements of Net Assets	10
Statements of Revenues, Expenses, and Changes in Net Assets	11
Statements of Cash Flows	12 - 13
Schedule of Expenditures of Federal Awards	14
Notes to Financial Statements	15-21
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	22 - 23
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	24 - 25
Schedule of Findings and Questioned Costs	26 - 28

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the accompanying financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2010 financial statements and, in our report dated June 17, 2011, we expressed an unqualified opinion.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net assets of the Airport Authority District #1 of Calcasieu Parish as of December 31, 2011, and the respective changes in net assets and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012, on our consideration of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Airport Authority District #1 of Calcasieu Parish, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of Airport Authority District #1 of Calcasieu Parish. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



June 18, 2012

AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1 OF CALCASIEU PARISH - LAKE CHARLES, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

The basic financial statements focus on the Airport as a whole. These basic statements are designed to emulate corporate presentation models whereby all Airport activities are consolidated into one business-type fund. The focus of the Statements of Net Assets is designed to be similar to bottom line results for the Airport. This statement combines current financial resources with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on results of operations and non-operating revenues that support operations of the Airport.

Overview of the year 2011

2011 can best be summarized as the year of projects. Toward the end of the year, moving into 2012, the Airport had (has) 16 projects totaling over \$10.6 Million dollars nearing completion, under construction and/or in design. The economic impact of these projects, locally, is quite significant especially when coupled with the fact that these projects are primarily funded through State and Federal Aviation Trust Fund grants – meaning funds derived by aviation user fees, not local taxes. Other than the terminal project (which was emergency related), this level of funding for projects at LCH is unprecedented. These investments result in enhanced safety, greater capacity, excellent pavement conditions and significant increases in airport technology. In 2011 we completed a Wildlife Study, a South Apron Expansion to support Era Helicopters, design of the ARFF Station expansion, a loading and unloading canopy for the passenger Terminal and improvements to our rental car ready lot.

We are taking an aggressive approach when it comes to working with our partners at the State and Federal levels to secure funding for projects that ensure our Airport is in the very best shape that it can possibly be in. We do our best to ensure that the decision makers understand the scope and justification of each project. This will certainly continue moving forward. There are many things in this industry that we cannot control, including economic downturns, airline bankruptcies, political stalemates and natural disasters, but rest assured we will continue to give our best efforts to maintain this Airport and make it an even greater public asset.

As successful as we have been in identifying and securing funding sources for Capital Improvements, we continue to face challenges on the operational funding side. Operational revenues have increased, but have been matched by increases on the expense side. In 2011, increases in the cost of fuel, employee health care and retirement and unforeseen maintenance costs stressed an already tight budget. While we are very lean operationally, we will continue to conserve funds at every turn and explore new opportunities to do more with less. Some of these initiatives include accomplishing projects on the capital side that translate into greater cost savings (LED Lights). On the revenue side, we will continue to pursue initiatives that help the bottom line.

I think the public would be very pleased and surprised to see what we are able to accomplish on funding levels that are a fraction of what other Airports have at their disposal. We are no different than a city or parish government responsible for Fire Protection, Security and Public works, but our resources are quite limited. Given additional funding, we could do more, but that simply isn't a reality at this time. That being said, one would be hard pressed to find a public entity in Southwest Louisiana that provides a greater return on public investment than the Lake Charles Regional Airport. As you know, many residents in the Parish living outside the Airport's taxing District do not have to pay anything to have the benefit of a commercial airport. I live in the district and my tax contribution to the Airport Authority was a whopping \$8.82 in 2011 – by far the lowest millage on my tax notice. This bargain is driven by the fact that not only is our ad valorem a District levy, but it is among the smallest millage in the entire Parish. The bottom line is that the economic impact of this facility is many jobs totaling many millions at little or no cost to the local tax payer.

While our millage has not changed since it was established many years ago, costs have steadily risen especially in recent years...the terminal building alone represented over a \$150,000 annual increase in operating expenses. We have really relied on self help, and that is evidenced in the fact that this Airport is approximately 66% self sustained. This is something we can be proud of sure, but we are still lacking in some areas – namely air service development funding, marketing and capital equipment expenditures.

As we continue to evolve, so does our industry. The economic downturn has hurt both commercial and general aviation. The commercial side has seen what I think are fundamental changes in the way that airlines are approaching their business models. We've seen - and are seeing - many Airline Bankruptcies. Gone are many of the smaller regional air carriers which are now merely service providers to large legacy carriers of which there are now very few – United, American, Delta and US Airways. The revenue bar for smaller communities with commercial air service is going up. Smaller aircraft are being phased out and replaced with 70-100 seat aircraft. Most turboprop aircraft are getting old, and the regional jets are becoming economic relics in today's high fuel cost environment. Airlines have added fees which increase the cost of traveling, while security has become ever more cumbersome. This puts greater pressure on marginal markets.

Once again our 2011 FAR Part 139 annual inspection was completed successfully. Part 139 is a very extensive set of regulations that the Airport must conform to in order to maintain its certification, and our employees do a great job of ensuring our compliance.

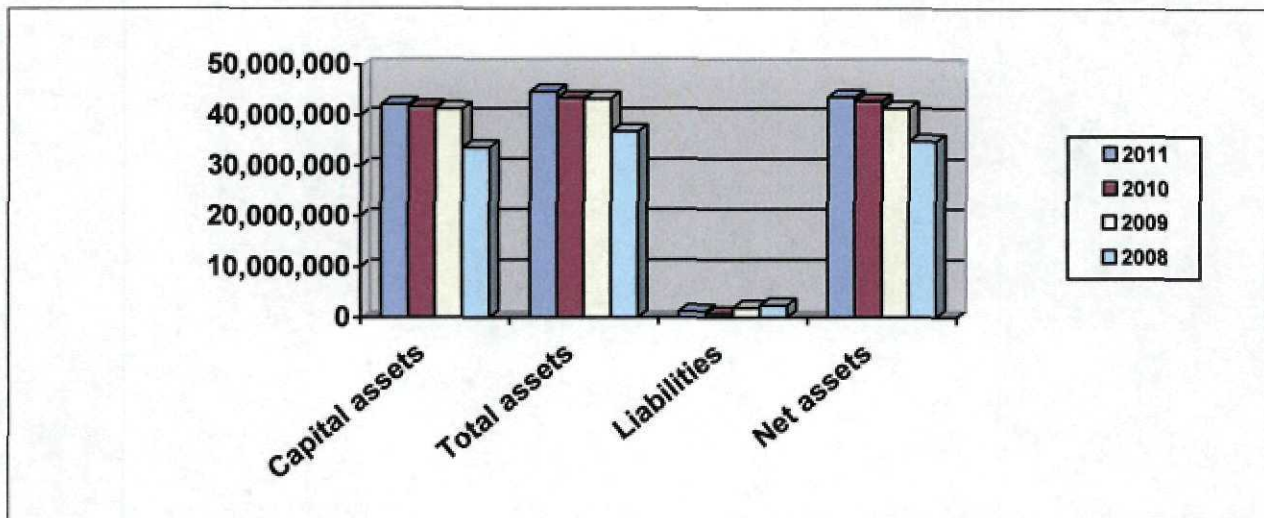
Enplanements were down slightly in 2011 – 5% compared to 2010. This is not completely unexpected following a couple of years of significant growth associated with the return of American. That new service beginning to mature and the economy combined with a significant numbers of delays by Colgan in 2011 can be attributed to the slight decline. Total O&D traffic was 122,809 passengers, a 4.5% decrease below 2010.

Departure capacity for scheduled air service increased by 1271 seats; resulting in a total of 109,411 seats departing the market, and a total of 109,848 seats arriving in the market. A total of 5,757 scheduled commercial flights were operated into and out of LCH resulting in the collection of over \$250,000 in Passenger Facility Charges. The Airport also collected approximately \$180,000 in Customer Facility Charges. This program began in 2009 and is providing a means to make improvements to the rental car facilities.

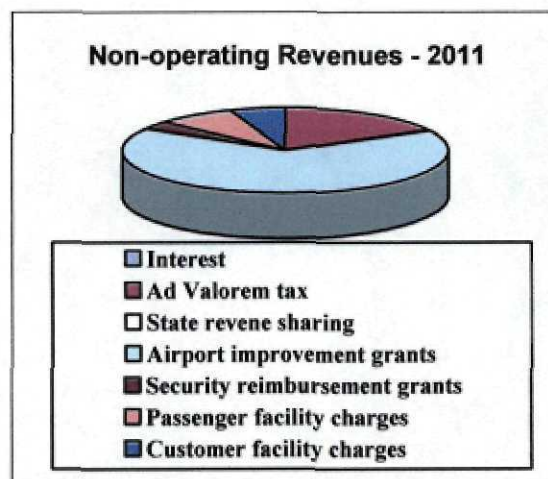
We will approach 2012 with a laser focus on doing more with less. I am challenging our managers to be very creative in finding savings and cutting costs. Our goal is to begin gradually building up a sufficient reserve in 2012. We spent a great deal of time completing our budget this year, and we will go to extremes to live within it. We will have a tremendous amount of construction taking place, which will undoubtedly tax our small staff, but I have no doubt that we will achieve great things in 2012.

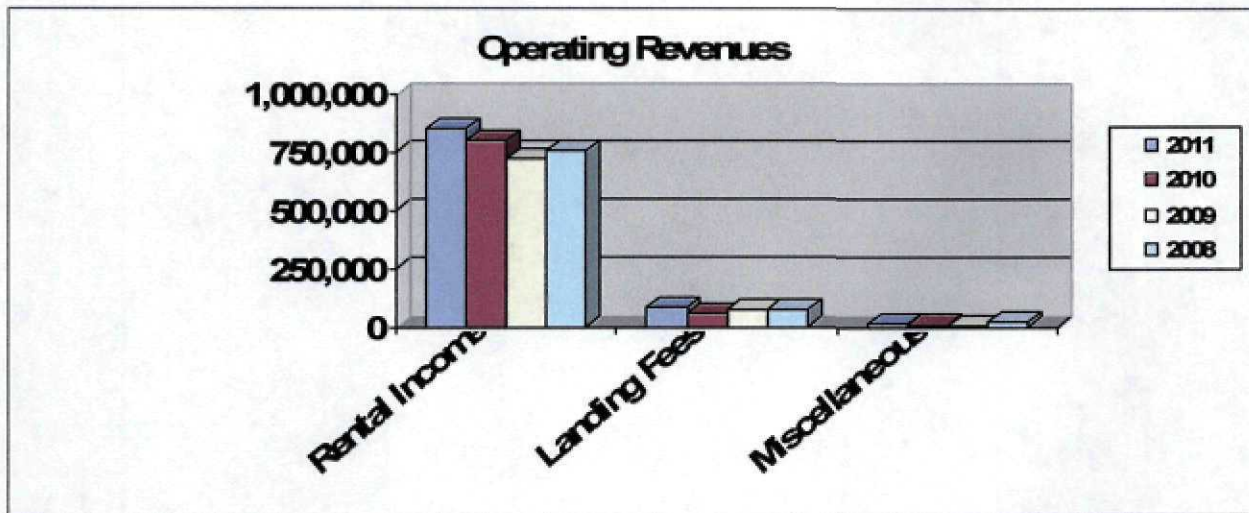
Financial Highlights

As of December 31, 2011, the Airport's net assets have increased to \$43.5 million from \$42.7 million at December 31, 2010. This increase is due mostly to the completion of the South General Aviation Apron, the Airport Access Loop Road, and the Parking Lot Expansion.



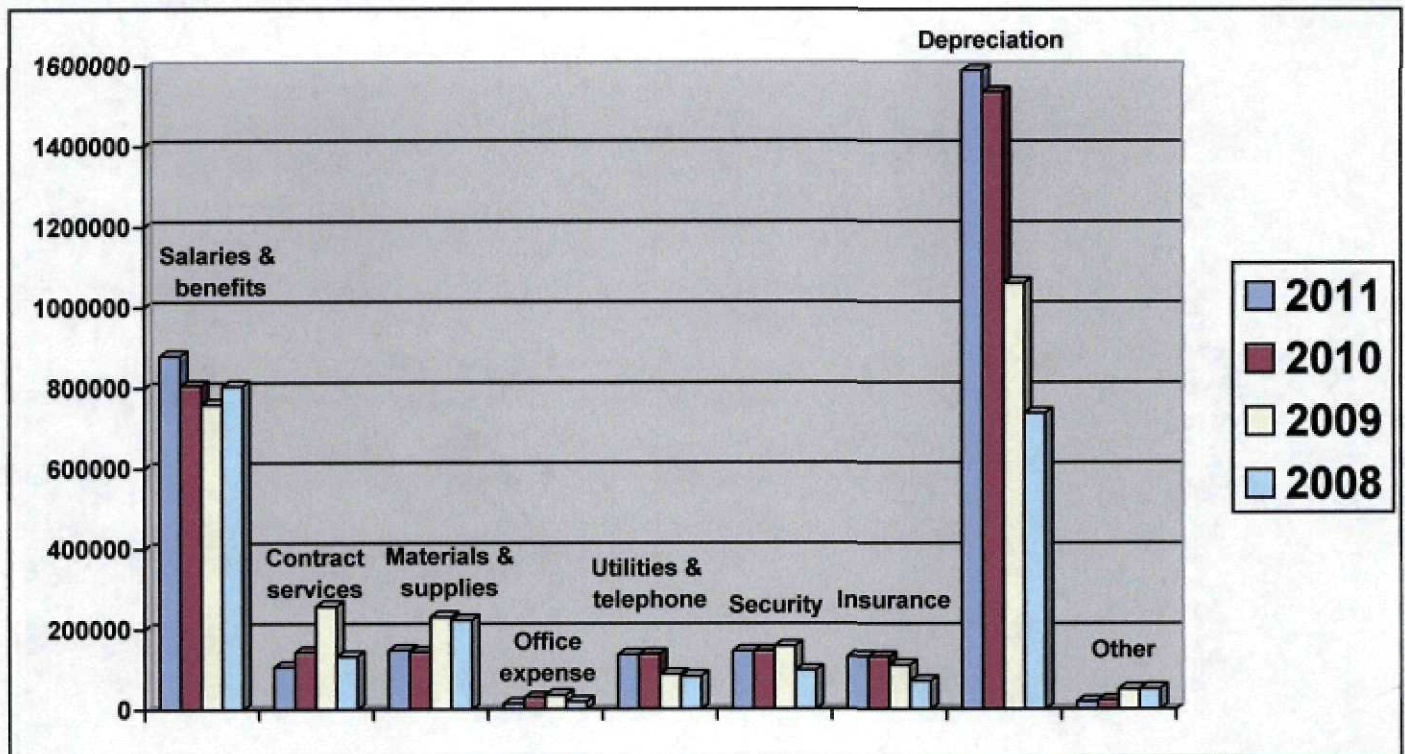
At year-end, operating revenues increased by 10% due to the increase in rental income and landing fees from American Airlines. Non-operating revenues decreased approximately \$600,000 from last year, primarily due to a reduction in grant revenues associated with the completion of the new passenger terminal.



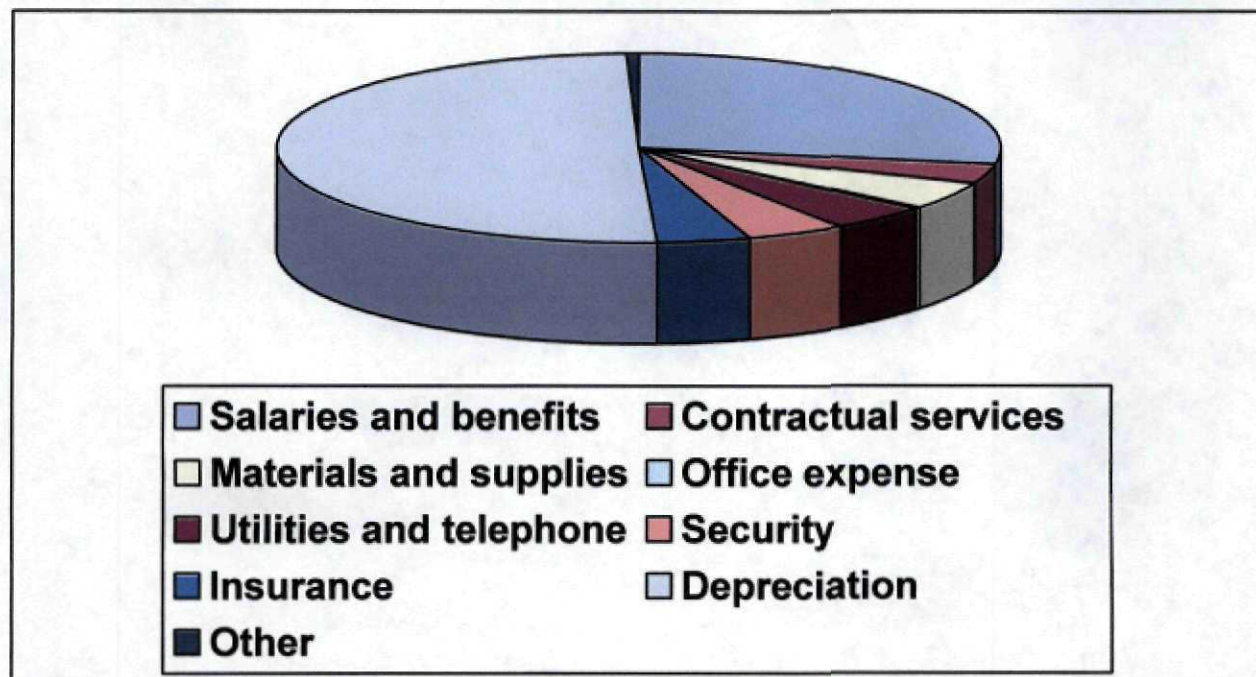


Total expenses (before depreciation) for the year were up slightly from the prior year. There was a decrease in legal fees but was offset by a rise in employee health insurance and retirement.

Operating expenses – 2008-2011



Operating expenses 2011



Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF NET ASSETS

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 542,600.28	\$ 38,993.01
Accounts receivable		
Federal Emergency Management Agency	92,722.93	92,722.93
Trade	66,396.50	45,230.73
Advalorem Taxes	525,363.96	511,941.44
State revenue sharing	8,709.75	8,709.75
Federal grants	165,857.76	131,002.80
State grants	101,677.11	67,029.57
Customer facility charges	14,139.00	25,488.00
Passenger facility charges	48,397.34	38,483.60
	<u>1,023,264.35</u>	<u>920,608.82</u>
Prepaid insurance	8,767.76	8,767.76
Total Current Assets	<u>1,574,632.39</u>	<u>968,369.59</u>
Noncurrent assets		
Restricted Cash	1,002,884.76	777,763.38
Capital assets, net of accumulated depreciation	42,105,516.43	41,600,185.42
	<u>43,108,401.19</u>	<u>42,377,948.80</u>
TOTAL ASSETS	<u>44,683,033.58</u>	<u>43,346,318.39</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	30,161.94	30,065.25
Due to Calcasieu Parish Police Jury	160,356.65	159,097.22
Construction contract payable	883,431.38	350,322.47
Payroll taxes and benefits	24,795.35	40,487.16
Deduction from advalorem taxes for retirement system	16,877.49	16,594.30
Total Current Liabilities	<u>1,115,622.81</u>	<u>596,566.40</u>
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
TOTAL LIABILITIES	<u>1,119,622.81</u>	<u>600,566.40</u>
<u>NET ASSETS</u>		
Invested in capital assets	41,222,085.05	41,249,862.95
Restricted for PFC projects	681,038.61	661,519.94
Restricted for CFC projects	384,382.49	211,773.54
Unrestricted	1,275,904.62	622,595.56
TOTAL NET ASSETS	<u>\$ 43,563,410.77</u>	<u>\$ 42,745,751.99</u>

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS

For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues		
Rental income	\$ 851,798.86	\$ 794,818.41
Landing fees	82,487.79	52,736.35
Miscellaneous	<u>8,986.16</u>	<u>8,337.59</u>
Total operating revenues	943,272.81	855,892.35
Operating expenses		
Salaries and benefits	879,894.78	805,411.88
Contractual services	105,781.91	142,358.12
Materials and supplies	146,990.15	141,994.05
Office expense	14,262.64	29,064.33
Utilities and telephone	135,976.49	136,749.07
Security	144,683.04	144,683.04
Insurance	131,089.27	130,113.92
Depreciation	1,588,755.00	1,534,456.00
Other	<u>19,211.59</u>	<u>21,948.13</u>
	<u>3,166,644.87</u>	<u>3,086,778.54</u>
Operating income (loss)	(2,223,372.06)	(2,230,886.19)
Nonoperating revenues (expenses)		
Interest	3,649.43	8,976.81
Ad Valorem tax	544,276.38	536,799.46
State revenue sharing	12,695.61	12,577.43
Grants		
Airport Improvement	2,148,672.13	2,329,105.39
Security Reimbursement	103,394.98	107,712.00
Local Grant	-	104,850.69
Federal Emergency Management Agency funds	-	344,575.59
Passenger facility charges	251,772.22	289,892.01
Customer facility charges	176,853.00	192,225.00
Disposal of fixed assets	-	(155,186.00)
Engineering and professional fees	(183,405.42)	(121,277.30)
Ad Valorem tax deduction	<u>(16,877.49)</u>	<u>(16,594.30)</u>
	<u>3,041,030.84</u>	<u>3,633,656.78</u>
Increase (decrease) in net assets	817,658.78	1,402,770.59
Net assets, beginning of year	<u>42,745,751.99</u>	<u>41,342,981.40</u>
Net assets, end of year	<u>\$ 43,563,410.77</u>	<u>\$ 42,745,751.99</u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from charges	\$ 922,107.04	\$ 887,606.23
Cash received from Ad Valorem taxes	514,259.56	508,886.76
Cash received from security grant	95,414.04	107,712.01
Cash payments to suppliers for goods and services	(697,898.40)	(801,174.51)
Cash payments to employees for services	<u>(895,586.59)</u>	<u>(799,935.60)</u>
Net cash used in operating activities	(61,704.35)	(96,905.11)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,560,977.10)	(3,232,258.23)
Funds paid for engineering and professional fees	(183,405.42)	(121,277.30)
Cash received from sale of fixed assets	-	5,514.00
Amount due to Calcasieu Parish Police Jury	1,259.43	(61,558.11)
Cash received from Federal Emergency Management Agency	-	343,313.76
Cash received from grants	2,087,150.57	2,328,131.78
Cash received from customer facility charges	188,202.00	183,840.00
Cash received from passenger facility charges	241,858.48	283,444.67
State revenue sharing received	<u>12,695.61</u>	<u>12,577.43</u>
Net cash provided (used) by capital and related financing activities	786,783.57	(258,272.00)
Cash flows from investing activities:		
Interest on investments	<u>3,649.43</u>	<u>8,976.81</u>
Net cash provided by investing activities	<u>3,649.43</u>	<u>8,976.81</u>
Net increase (decrease) in cash and cash equivalents	728,728.65	(346,200.30)
Cash and cash equivalents, beginning of year	<u>816,756.39</u>	<u>1,162,956.69</u>
Cash and cash equivalents, end of year - (including restricted cash of \$1,002,884.76 and \$777,763.38 in 2011 and 2010)	<u>\$ 1,545,485.04</u>	<u>\$ 816,756.39</u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2011 and 2010

Reconciliation of operating income to net
cash provided by operating activities:

	<u>2011</u>	<u>2010</u>
Operating income (loss)	\$ (2,223,372.06)	\$ (2,230,886.19)
Depreciation	1,588,755.00	1,534,456.00
Nonoperating Ad Valorem taxes	514,259.56	508,886.76
Cash received from security grant	95,414.04	107,712.01
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	(21,165.77)	31,713.88
Increase (decrease) in accounts payable	96.69	(54,263.85)
Increase (decrease) in taxes and benefits payable	<u>(15,691.81)</u>	<u>5,476.28</u>
Total adjustments	<u>2,161,667.71</u>	<u>2,133,981.08</u>
Net cash used by operating activities	<u>\$ (61,704.35)</u>	<u>\$ (96,905.11)</u>

See notes to the financial statements

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended December 31, 2011

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
US Department of Transportation Airport Improvement Program	20.106	\$841,490
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement	97.090	<u>103,395</u>
Total expenditures of federal awards		<u>\$944,885</u>

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of federal financial assistance includes the federal grant activity of the Airport Authority for Airport District #1 of Calcasieu Parish and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE A. ORGANIZATION

Airport Authority for Airport District #1 of Calcasieu Parish (the Authority) was created by the Calcasieu Parish Police Jury as provided by Revised Statutes 2:602. The Authority is governed by a board of five commissioners who, along with the Airport Manager, establish regulations governing the maintenance and operations of the facilities of the Lake Charles Regional Airport.

The financial statements of the Authority will be included in the Calcasieu Parish Police Jury's financial reporting as a discretely presented component unit. In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." As a discretely presented component unit, the Authority is a separate legal entity, but the Police Jury has an oversight relationship with the Authority.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority complies with Generally Accepted Accounting Principles (GAAP). Because the Authority accounts for its activities as a proprietary fund, the Authority has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those FASB pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1. Basis for Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting; whereby revenues are recognized when earned and expenses are recorded when incurred.

2. Budget Policy

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget prepared on the accrual basis of accounting, covers all authority activities. At the end of the fiscal year unexpended appropriations automatically lapse.

3. Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. The Authority generally capitalizes assets with a cost of \$2,500 or more. Depreciation is computed on a straight-line method over the estimated useful lives as follows:

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	<u>Years</u>
Building and improvements	30-40
Land improvements	10-40
Machinery and equipment	3-10
Furniture and fixtures	5-10

4. Operating Revenues and Expenses

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Net Assets. For this purpose, all revenues generated by operations at the airport are reported as operating revenues. Operating expenses include all costs of operating the airport. As a result, nonoperating revenues and expenses include all investing and financing transactions, including grants and passenger facilities charges required to be used to finance the capital structure of the Authority. Ad valorem taxes and certain grants dedicated to airport operation are also reported as nonoperating revenues. However, these revenues are reported as a source of operating cash flows in the Statement of Cash Flows based on GASB Statement 9.

5. Rental Income

The Authority leases its property to commercial airlines, car rental companies, concessionaires, fixed base operators who service the airline industry, the FAA, and others. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals on non-cancelable operating leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 551,556
2013	380,441
2014	304,243
2015	106,252
2016	59,480
	<u>\$1,401,972</u>

6. Statement of Cash Flows

For purposes of reporting cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

7. Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE C. CASH

The Authority's deposits are fully collateralized by Federal government bonds held by Capital One, NA in the name of Airport Authority for Airport District #1 of Calcasieu Parish.

Cash of the Authority is classified into three categories to give an indication of the level of risk assumed at the year end.

Category 1: includes deposits insured or collateralized with securities held by the Authority or its agent in the name of the Authority.

Category 2: includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: includes insured and unregistered deposits with the securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name.

Cash as of December 31, 2011 and 2010 was all classified as Category 1. Cash balances in Category 1 as of December 31, 2011 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Unrestricted	\$ 627,187	\$ 542,600
Restricted	<u>1,013,701</u>	<u>1,002,885</u>
	\$1,640,888	\$1,545,485

NOTE D. PENSION PLAN

Full-time employees of the Authority are members of the Parochial Employees' Retirement System of Louisiana, a multi-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separated assets and benefit provisions. Eligible employees of the Authority were members of Plan A for 2011. Under Plan A, members hired before 1/1/07 with seven years of creditable service may retire at the age 65; members with 10 years of creditable service may retire at age 60; members with 25 years of service may retire at age 55; members with 30 years of service may retire regardless of age. Members hired after 1/1/07 may retire at age 67 with 7 years of creditable service, age 62 with 10 years of creditable service, and age 55 with 30 years of creditable service. The retirement allowance is equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation shall be defined as the average of the highest consecutive 36 months salary for members hired prior to 1/1/07. For members hired 1/1/07 and later, final average compensation shall be defined as the average of the highest consecutive 60 months salary. However, any employee who was a member of the supplemental plan only prior to the revision date (1/1/80) has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE D. PENSION PLAN (continued)

The retirement allowance may not exceed the greater of one hundred percent of a member's final salary or the final average compensation. Contributions to the System include $\frac{1}{4}$ of 1% of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries, 9.5% under Plan A, to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation for the prior fiscal year. The employer contribution was 15.75% of covered employees' salaries for 2011 and 2010. The payroll for the Authority employees covered by the system for the year ended December 31, 2011 and 2010 was \$547,392 and \$485,464; the Authority's total payroll and accrued benefits for 2011 and 2010 was \$879,895 and \$805,412, respectively. The Authority contributed \$86,214 and \$76,461 to the system during the years 2011 and 2010.

The "Pension Benefit Obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of December 31, 2010; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at December 31, 2010, for the System as a whole was approximately \$2.305 billion.

The system's net assets available for benefits on that date (valued at market) were approximately \$2.259 billion, leaving an unfunded pension benefit obligation of approximately \$45.756 million.

Ten year historical trend information is presented in a separately issued PERS report which provides information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE E. ANNUAL AND SICK LEAVE

Permanent employees earn one to six weeks of annual leave and two to six weeks of sick leave each year depending on length of service with the Authority. A maximum of ten days of annual leave may be accumulated and carried forward without limitation. Upon termination, employees are paid for unused annual leave only.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE F. AD VALOREM TAXES

For the year ended December 31, 2011 taxes of .58 mills were levied on property with taxable assessed valuations of \$946,282,872 and were dedicated to the operation and maintenance of the Airport.

Property tax millage rates are adopted on a 10 year basis. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien. A renewal election was held and passed in October 2005 to levy millage beginning in 2005 and expiring in 2014.

NOTE G. RESTRICTED ASSETS

Assets required to be held and/or used as specified in contractual agreements have been reported as Restricted Assets. Restricted Assets at December 31, 2011, consisted of the following:

	<u>Total</u>
Passenger Facility Charge Funds	\$ 681,039
Customer Facility Charge Funds	<u>384,382</u>
Total Restricted Assets	<u>\$1,065,421</u>

NOTE H. PASSENGER FACILITY CHARGE

Beginning in 2001, Passenger Facility Charges at the rate of \$3 per enplaned passenger had been levied by the Authority under Federal Aviation Administration (FAA) approved applications to use for airport improvements. Beginning in 2005, the passenger rate was approved to be increased to 4.50 per enplaned passenger. As of December 31, 2011 the total of approved applications is \$2,947,234. Since 2001 a total of \$1,306,860 has been spent in PFC funds for airport improvements.

Total PFC revenues, including interest, remitted to the Authority for the years ended December 31, 2011 and 2010 were \$253,559 and \$295,041 respectively. During the year ended December 31, 2011 a total of \$225,215 was spent on improvements, leaving a balance of \$681,039 of PFC funds available and restricted for future PFC projects (Note G).

NOTE I. CUSTOMER FACILITY CHARGE

Beginning in August 2009, in accordance with each rental car concession agreement, a Customer Facility Charge (CFC) of \$3 per day shall be levied on each rental car contract entered into at the Airport by lessee. Lessee agrees to collect said CFC and remit the collection to the Airport Authority separate and apart from other rents and fees once per month. CFC revenue will be used by the Airport to accomplish improvements that benefit the rental car customers and concessionaries. CFC revenue for the years ending December 31, 2011 and 2010 were \$176,853 and \$192,225, respectively. During the year ended December 31, 2011, \$15,678 was spent on improvements leaving a balance of \$384,382 for future CFC projects (Note G).

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE J. CAPITAL ASSETS

Capital assets consist of the following:

	Balance 12/31/10	Additions	Disposals	Balance 12/31/11
Land	\$ 2,410,409	\$ -	\$ -	\$ 2,410,409
Buildings & Improvements	34,397,622	1,189,322	-	35,586,944
Land Improvements	15,848,955	1,995,566	-	17,844,521
Machinery & Equipment	1,702,093	59,097	-	1,761,190
Furniture & Fixtures	697,280	-	-	697,280
Construction in progress	<u>2,118,262</u>	<u>2,094,086</u>	<u>(3,243,985)</u>	<u>968,363</u>
	57,174,621	5,338,071	(3,243,985)	59,268,707
Less accumulated depreciation:				
Buildings & Improvements	3,580,571	897,267	-	4,477,838
Land Improvements	10,849,753	526,931	-	11,376,684
Machinery & Equipment	1,017,691	111,157	-	1,128,848
Furniture & Fixtures	<u>126,421</u>	<u>53,400</u>	<u>-</u>	<u>179,821</u>
	<u>15,574,436</u>	<u>1,588,755</u>	<u>-</u>	<u>17,163,191</u>
Net capital assets	<u>\$41,600,185</u>	<u>\$ 3,749,316</u>	<u>\$(3,243,985)</u>	<u>\$ 42,105,516</u>

NOTE K. COMMITMENTS AND CONTINGENCIES

On a continuing basis, the Authority enters into construction contracts for improvements to the airport. At December 31, 2011, work was in progress for the improvements as follows:

	Budget	Expended to date	Committed
ARFF/Service Road/Gauthier Road	\$ 576,000	\$ 536,809	\$ 39,191
Canopy Project	268,460	229,570	38,890
South Apron	1,500,000	1,203,520	296,480
Expand ARFF Building	1,678,550	251,859	1,426,691
Airport Master Plan Study	650,000	26,620	623,380
Rehabilitate Runway 5/23	<u>510,240</u>	<u>30,317</u>	<u>479,923</u>
	<u>\$5,183,250</u>	<u>\$2,278,695</u>	<u>\$2,904,555</u>

The funding for these projects is provided primarily by FAA – Airport Improvement Grants, Louisiana Department of Transportation Department Grants, and Passenger Facility Charges.

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 2011 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE L. LINE OF CREDIT

The Police Jury of Calcasieu Parish approved a line of credit up to \$400,000 to the Authority to be used, as needed, for interim financing of state mandated capital costs required to fire proof the FBO. Interest, at the current short-term governmental rate, will accrue on balances over 60 days. As of December 31, 2011 the balance owed to the Police Jury was \$160,357 including interest of \$1,917.

Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of Calcasieu Parish Police Jury, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Airport Authority for Airport District #1 of Calcasieu Parish is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting and is listed as item 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Member AICPA • Member LCPA
Member PCPS/The AICPA Alliance for CPA Firms

800 Ryan Street • Suite 200 / P.O. Box 1117 • Lake Charles, Louisiana 70602
(337) 494-1240 • (337) 494-1040 Fax

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority for Airport District #1 of Calcasieu Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Airport Authority of Airport District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script that reads "Stulb & Associates". The signature is written in dark ink and is positioned above the date.

June 18, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Airport Authority of Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

Compliance

We have audited the compliance of Airport Authority of Airport District #1 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of the Airport Authority of Airport District #1 of Calcasieu Parish is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-2 to be a significant deficiency.

The Airport Authority of Airport District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


June 18, 2012

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors' Results

December 31, 2011

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐yes ☒X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒X_yes ☐none reported
- Noncompliance material to financial statements noted? ☐yes ☒X_no

Federal Awards

- Material weakness(es) identified? ☐yes ☒X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒X_yes ☐no

Type of auditor's report issued on compliance of major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ☐yes ☒X_no

Identification of major programs:

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐yes ☒X_no

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

Current Audit

2011-1

Cash management

Condition: For all grants, detailed spreadsheets are maintained to account for reimbursable expenses. These spreadsheets are used to complete the reimbursement requests and submit for payment.

Criteria: The request should be submitted timely in order to minimize the time elapsing between the transfer of funds from the reimbursement to their disbursement. The requests should be reconciled to the amount received for reimbursement on a monthly basis.

Context: During our examination, we noted that reimbursement requests were not submitted for a total of \$25,309.

Effect: Grants expenditures could be paid but not reimbursed.

Recommendation: All reimbursement requests should be reviewed and approved by the executive director. Upon approval, the request should be submitted for payment and recorded as a receivable. To better monitor outstanding reimbursements, an aged receivable listing should be reviewed monthly by management.

Response: The authority has implemented a system to closely monitor all reimbursement requests.

Prior Audit

2010-1

Cash management

Condition: Grant reimbursement requests were prepared from unpaid invoices. Grant reimbursements were received but the request detail was not used to pay corresponding invoices in a timely manner. During our examination, we noted that invoices totaling \$51,088 were reimbursed from various grants but not paid to the vendor in a timely manner.

Response: The authority is using unpaid invoice folders for each reimbursement request. Upon receipt of the payment, the invoices are paid and reconciled to the reimbursement request.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Awards Findings and Questioned Costs

Current Audit

US Department of Transportation

Airport Improvement Program – CFDA Number 20.106

2011-2

Cash management

Condition: For all grants, detailed spreadsheets are maintained to account for reimbursable expenses. These spreadsheets are used to complete the reimbursement requests and submit for payment.

Criteria: The request should be submitted timely in order to minimize the time elapsing between the transfer of funds from the reimbursement to their disbursement. The requests should be reconciled to the amount received for reimbursement on a monthly basis.

Context: During our examination, we noted that reimbursement requests were not submitted for a total of \$23,417.

Effect: Grants expenditures could be paid but not reimbursed.

Recommendation: All reimbursement requests should be reviewed and approved by the executive director. Upon approval, the request should be submitted for payment and recorded as a receivable. To better monitor outstanding reimbursements, an aged receivable listing should be reviewed monthly by management.

Response: The authority has implemented a system to closely monitor all reimbursement requests.

Prior Audit

US Department of Transportation

Airport Improvement Program – CFDA Number 20.106

Federal Emergency Management Agency

Passed through the Louisiana office of

Homeland Security and

Emergency Preparedness

Hurricane Rita recovery program – CFDA Number 97.036

2010-2

Cash management

Finding: Grant reimbursement requests were prepared from unpaid invoices. Grant reimbursements were received but the request detail was not used to pay corresponding invoices in a timely manner. During our examination, we noted that invoices totaling \$38,949 were reimbursed from various grants but not paid to the vendor in a timely manner.

Response: The authority is using unpaid invoice folders for each reimbursement request. Upon receipt of the payment, the invoices are paid and reconciled to the reimbursement request.